

**REGULAR STATE BANKING BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

July 12, 2007

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schaffer Street, Suite G, Bismarck, North Dakota. Chairman Karsky called the meeting to order at 9:03 a.m., Thursday, July 12, 2007, by conference call.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Loren Henke, Member (*Wishek*)
Launa Moldenhauer, Member (*Bismarck*)
Roger Monson, Member (*Finley*)

MEMBERS ABSENT: Ron Braseth, Member
Bill Daniel, Member
Anita Quale, Member

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)
Mike Otner (*New York*)
Steve Noack (*Fargo*)
Mike McDonnell (*New York*)
Mike Devens (*New York*)
Toby Kommer (*Fargo*)
Lyman Edds (*Fargo*)

APPROVAL OF MINUTES

Chairman Karsky indicated the Board received copies of the minutes of the regular meeting held on May 10, 2007, and the special meeting held on June 27, 2007.

It was moved by Member Moldenhauer, seconded by Member Monson, and carried by a vote of 4 to 0, with Members Braseth, Daniel, and Quale absent, to approve the May 10, 2007, minutes as amended.

It was moved by Member Moldenhauer, seconded by Member Henke, and carried by a vote of 4 to 0, with Members Braseth, Daniel, and Quale absent, to approve the June 27, 2007, minutes.

REQUEST BY BANK FORWARD, HANNAFORD, TO INVEST IN A SUBSIDIARY

Assistant Commissioner Entringer noted that he asked Mr. Kommer to explain the transaction using debits and credits to make it easier to see what the flow of the transaction would be. Basically, the transaction is a stock exchange between the owners of the insurance company and shareholders of the bank holding company, and the bank holding company would push the insurance agency down to the subsidiary bank, which would in turn record an investment in a wholly-owned subsidiary, Insure Forward. Assistant Commissioner Entringer stated the dollar amount that is being requested is based on an appraisal of the insurance agency, a copy of which was provided to the Department and was conducted by Optis Partners (the appraisal was not sent to the State Banking Board members because of the length of the document). Assistant Commissioner Entringer indicated the applicant had also provided a copy of the draft stock purchase agreement between the bank holding company as purchaser and John Brown, Mark Brown, Cheryl Steinborn, Steve Steinborn, Shawn Steinborn, Laura Steinborn, Trisha Christinson, Tonya Smith, Joscelyn Brown, Michelle Brown, Natalie Brown, Kaare Risbrudt, Kristin Brown, as sellers.

Assistant Commissioner Entringer asked Mr. Kommer to review the transaction and explain to the Board why the transaction value is less than the appraised value, as noted in the appraisal.

Mr. Kommer indicated that Insure Forward has similar shareholders as the bank holding company and it has always been owned outside of the bank; the reason they are acquiring this company is due to the recent acquisitions of the other insurance agencies, so from an operating model standpoint at some point in the future they want to merge all the agencies under one agency. Mr. Kommer indicated the bank did enlist Optis Partners, which is very well known in the

industry, to appraise Insure Forward, and as part of the engagement they had a couple of producers they knew would be leaving because they are reaching retirement age and they have a specialty book of business that they wanted to take with them and semi-retire. As a result, the bank had Optis Partners value the agency as of year-end knowing that that specialty book of business would be going away and has actually gone away as of July 1, 2007, and the bank provided information regarding the book of business that was taken so Optis Partners could do an addendum to the appraisal valuing the agency without that book of business, which is why the investment requested is less than the original appraisal amount. Mr. Kommer stated the goal was to take as conservative an approach as they could, still making sure they had a fair market value well documented.

Mr. Kommer described the transaction whereby the bank holding company will issue stock to the owners of Insure Forward, noting that this transaction is different from the two previous transactions because the financial impact to the bank is virtually nonexistent since they are issuing new capital to offset the intangibles and goodwill that the bank will record; so from a pure capital perspective it does not have any impact because of the stock for stock exchange.

Assistant Commissioner Entringer clarified this would be the third wholly-owned subsidiary for Bank Forward, and that eventually the goal is to merge all three subsidiaries into one wholly-owned subsidiary. Mr. Kommer indicated that was correct and they are looking at either January 1 or July 1, 2008, for the merger and Insure Forward would be the surviving entity.

Assistant Commissioner Entringer stated the Department recommends approval based on the fact that the impact to the bank is nominal.

It was moved by Member Monson and seconded by Member Henke to approve the investment in a wholly-owned subsidiary by Bank Forward, Hannaford, in the net amount of the appraised value. The motion was carried by a vote of 4 to 0, with Members Braseth, Daniel, and Quale absent.

Mr. Kommer left the meeting at 9:14 a.m.

APPLICATION BY C.G. JCF HOLDINGS, INC., NEW YORK, NEW YORK, TO ACQUIRE FRONTIER TRUST COMPANY, FARGO

Assistant Commissioner Entringer reviewed his July 3, 2007, Memorandum for the Board, noting that the application by C.G. JCF Holdings, Inc., was received and deemed complete on June 25, 2007. Notice of the application was published in *The Forum*, Fargo, on July 2, 2007, and the comment period ended July 12, 2007. Assistant Commissioner Entringer noted no comments had been received; however, one request for a copy of the application had been received.

Assistant Commissioner Entringer indicated the approval criteria found in North Dakota Century Code Section 6-08-08.1 was outlined in his Memorandum, which shows that C.G. JCF Holdings, Inc., or a subsidiary thereof, will acquire 100% of the stock of Frontier Trust Company. The applicant indicates the acquisition will be as described in Section 7(b) of page 4 of the application, noting that repayment is intended to occur as described in Section 7(c) of page 5 of the application. The applicant indicates repayment could include Frontier Trust Company as an income source, although that is not specifically contemplated. Exhibit D of the application shows the steps in this proposed transaction, whereby the ultimate owner would be C.G. JCF Holdings, Inc., and Exhibit F shows ownership of Frontier Trust Company after the transaction. Pro forma financial statements were provided for Frontier Trust Company/BISYS and C.G. JCF Holdings, Inc. The application indicates there are no plans for changes to the Board of Directors or senior executive officers with the proposed transaction, and in addition the Department's Order granting approval of the charter for Frontier Trust Company requires that any changes to the business model must be approved in advance by the Commissioner.

Assistant Commissioner Entringer noted that the charter was issued to Frontier Trust Company on Monday, July 9, 2007, and the merger transaction was completed on Tuesday, July 10, 2007. Assistant Commissioner Entringer also noted that subsequent to the Memorandum, the Board should have received additional information dated July 5, 2007, which provides the information that the acquirer in this case will actually be BIR JCF, LLC, which is an indirect wholly-owned subsidiary of C.G. JCF Holdings, Inc. Assistant Commissioner Entringer pointed out the Department did not require financials on BIR JCF, LLC, because it currently is a shell and has no assets; the only assets it will have are its ownership of BISYS and Frontier Trust Company.

It was moved by Member Monson and seconded by Member Moldenhauer to approve the change of control application whereby BIR JCF, LLC, will acquire Frontier Trust Company, Fargo, North Dakota.

Chairman Karsky indicated based on the previous meeting the Board certainly looked at Frontier Trust Company in depth prior to issuing the charter; therefore, this transaction is fairly straight forward, and he is confident the Board has a good grasp the transaction.

Assistant Commissioner Entringer asked Mr. McDonnell the target date for closing, and Mr. McDonnell indicated August 1, 2007.

The motion was approved by a vote of 4 to 0, with Members Braseth, Daniel, and Quale absent.

The Board went into closed session at 9:26 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary